FISCAL NOTE

SB 12 - HB 32
SECOND EXTRAORDINARY SESSION

November 8, 1999

SUMMARY OF BILL: Amends T.C.A. 67-4-2008. Exempts from excise tax limited liability companies, limited partnerships and limited liability partnerships, if the farm-related entity meets all of the following criteria: 1) At least 2/3rds of the activity of the entity is either farming or the holding of one or more personal residences where one or more of the members or partners reside; and 2) At least 95% of the voting rights, capital interest or profits of the entity are owned either by natural persons who are relatives of one another or by trusts for their benefit. Natural persons would be considered relatives if by blood or adoption, they are descended from a common ancestor and their relationship with each other is that of first cousin or closer, or if they are spouses of one another. For tax purposes, the activity of the entity would be considered farming only if at least 2/3rds of its income or capital gains from the sale of assets used in farming, is derived from farming and at least 2/3rds of its assets, valued at the original cost to the entity, are used by the owner, or owner's lessee or sharecropper, for farming.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds $1,000,000

Estimate is based on the assumption that at least 25% of farm related LLCs, LPs and LLPs are family-owned.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

James A. Davenport, Executive Director